

COLLECTION OF DELINQUENT BANK OF AMERICA (BOA) DEBTS PROCESS FLOW AND ASSUMPTIONS

The Bank of America (BOA) administers the Department of Defense Travel Card program and is experiencing a high delinquency rate from both military and civilian employees of the Department of Defense. The following is the process flow (see attachment 1 for high-level process flow chart) which will be used to collect these debts.

After undisputed debts to the BOA become 90 days delinquent, BOA will send one additional letter to the debtor notifying them of pending actions. This letter will notify the debtor that, unless payment is received within 30 days, salary offset will commence. This letter will contain all legal verbiage for satisfying the due process requirements prior to initiating salary offset (see attachment 2 for a draft of the BOA letter). To be included in the letter will be wording for the delinquent cardholder to immediately notify their travel pay/liaison office (the office the traveler submitted the travel voucher to) if they have not been reimbursed for the associated travel for which they filed a travel voucher. It is mandated by the Travel and Transportation Reform Act that, "deduction from pay owed an employee may occur only after reimbursement of the employee for the expense of the Government travel". Upon research, if it is found the traveler has not been reimbursed for travel expenses or that the time for filing a travel claim has not passed, BOA needs to be contacted immediately by the Agency Program Coordinator to stop the salary offset process for that portion of the delinquent debt relating to travel advances. BOA will need to retain these due process letters in some retrievable form in order to prove due process if the debtor disputes the debt and requests a hearing.

At the same time this final letter is generated, the chain of command of the debtor needs to be informed of the pending salary offset by the Agency Program Coordinators (APC) so they can discuss this situation with their employee prior to salary offset initiation. The BOA currently generates several delinquency reports at various points in the delinquency cycle. These reports are available for the Agency Program Coordinators (APC) at each site, and need to be effectively used to reduce the number of delinquent accounts.

When the debt becomes 120-days delinquent the delinquent Government charge card is systematically cancelled by BOA, and current BOA policy is not to reinstate it even if the debt is eventually paid. If the debt is paid prior to the 120-day point, the card is reinstated. If the debt is not disputed, paid, or

arrangements made for an installment agreement within the 30-day period following the final debt letter, the salary-offset process will be initiated. Any delinquent debt BOA has at collection agencies for collection will not be included in the salary offset process at this time.

At this point BOA will forward the delinquent debts to the Salary Offset Project Office (DFAS-AHADC/CL) on a file in the format specified in attachment 3. The undisputed 120-day old delinquent accounts on the file will contain all charges regardless if they relate to an official travel document or not. Five files per month will be forwarded from BOA for salary offset based on their billing cycles. The Salary Offset Project Office (DFAS-AHADC/CL) will then bump the BOA delinquent debtor file against the Pay Locator File System (PLFS) to determine which pay system each debtor is being paid from. Debtor's which reject during this process (i.e. are no longer on the payroll) will be returned to the BOA immediately for their continued collection action or write-off. The records that match will be forwarded once a month to the appropriate pay center. For accounting and reporting purposes, the file forwarded to the pay centers by the Salary Offset Project Office (DFAS-AHADC/CL) will identify the BOA debts by the use of a pseudo agency code, TC for pay systems requiring two digits and TC01 for 4 digit requirements.

The pay centers, upon receiving the debt from the Salary Offset Project Office (DFAS-AHADC/CL), will send out a courtesy letter to the member using the current DFAS address notifying the member that salary offset is being initiated (as they do today). If the employee responds back that they have not been given due process, the debt will be returned to BOA and salary offset delayed until due process is given to the debtor at the proper address. The pay center must also notify the Salary Offset Project Office (DFAS-AHADC/CL) so they can delete the debt from their records. If salary offset has started and it is determined the collections are in error, the refunds will be provided by the BOA to the member.

Collections on the debts will be returned from the pay system directly back to BOA. Files listing the collection transactions by SSN will be provided to the Salary Offset Project Office (DFAS-AHADC/CL) for each collection file so they can monitor amounts collected and remaining debt balances. The maximum offset that can be taken on these debts is 15% of monthly disposable income. In an effort to implement the program as rapidly as possible, current methodology available for each pay system will be used to forward the collections back to BOA. The goal is to standardize the process electronically as soon as the changes can be made.

Prior to the implementation of this process, the BOA travel card Program Management Office (PMO) (DFAS-DFV/Arlington) will need to obtain for the Salary Offset Project Office (DFAS-AHADC/CL) the delegation of authority to collect these debts. At the present time, they are only authorized to perform salary offset for federal agencies, not private entities.

It is recommended that a statement be added to the military/civilian LES notifying the debtor that the deduction from their salary is due to a Bank Of America Travel Card debt, and provide the BOA 1-800 number for the member to contact with any questions. If timely programming limitations will not allow for this enhancement, current remarks should be used where available. Without the specific LES message, more questions may be referred to the DFAS travel pay/liaison offices, MILPAY, and CIVPAY instead of BOA. Prior to the initiation of the salary-offset program, a broadcast message will be printed on all LES's notifying members of the upcoming offsets for delinquent accounts. Also, the BOA and Travel Card Program Management Office, through the Department's and Agency's Component Program Managers, will put out a message to all cardholders that salary offset is being implemented to collect delinquent debts.

Once the debts are forwarded to DFAS for salary offset, if any additional payments are received at BOA from the delinquent account holder that result in an overpayment, it will be the responsibility of BOA to provide the refund. Debts that are referred for salary offset collection by BOA where offset is not available, i.e. a military or civilian member has separated will be returned to BOA for their collection actions.

The debt balances during the salary offset process will be managed by the Salary Offset Project Office (DFAS-AHADC/CL). If for any reason, changes to the debt balance occur, BOA needs to immediately coordinate these differences with the Salary Offset Project Office (DFAS-AHADC/CL). Additionally, when the salary offsets taken are drawing the balance owed close to zero, the Salary Offset Project Office (DFAS-AHADC/CL) and the BOA need to coordinate account balances to ensure they agree so the offsets can be stopped at the appropriate time.

Any inquiries or disputes regarding the debt and the demand notice which are received prior to forwarding the debt to DFAS for collection, will be handled and resolved by BOA. Once the debt has been referred to DFAS, if the employee notifies DFAS that due process was not received and disputes the debt, the debt will be returned to BOA for further action on the dispute and new due process notification. Also, if the debtor wants to negotiate an installment agreement, the agreement must be made with the BOA. BOA must immediately notify the Salary Offset Project

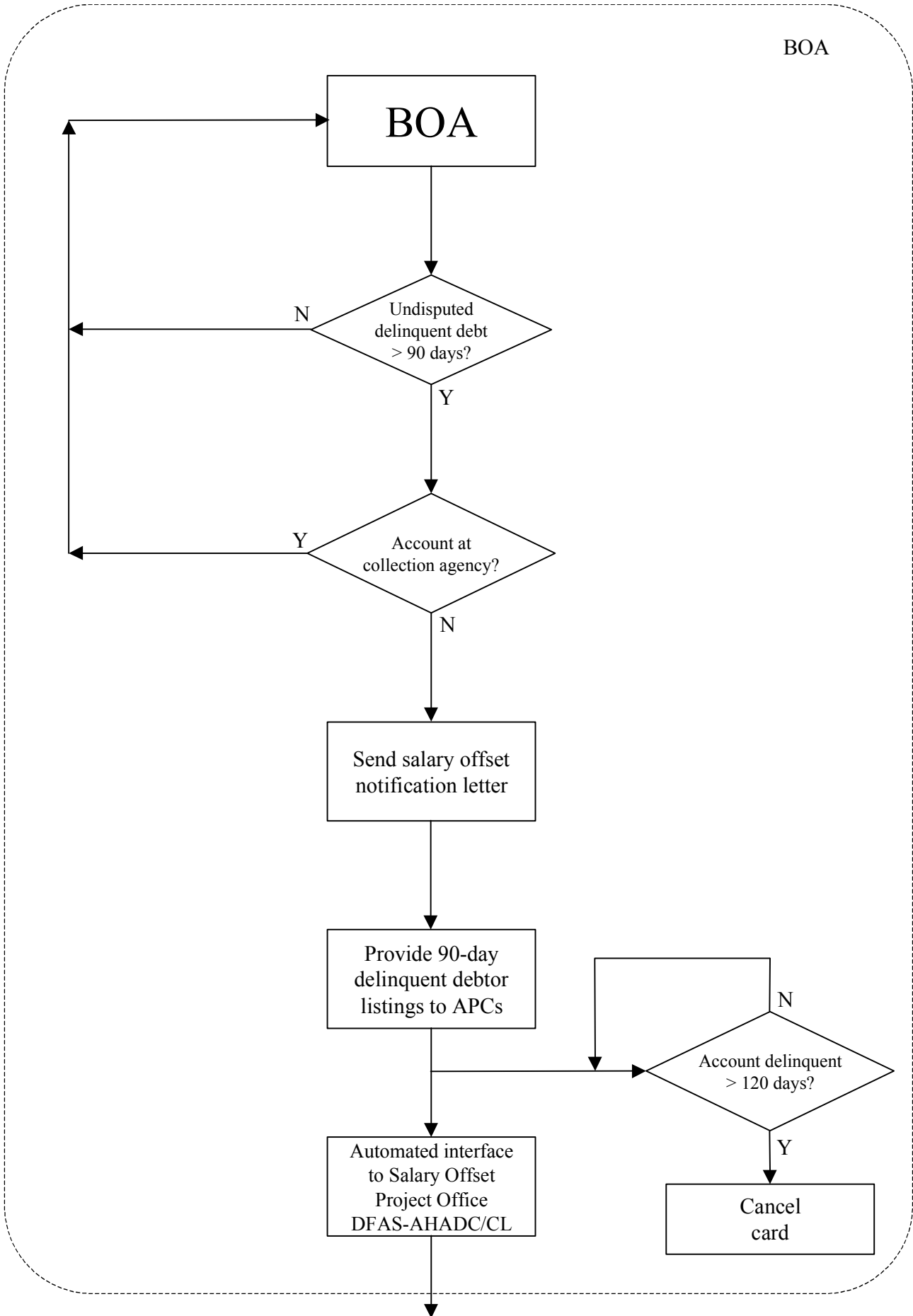
Office (DFAS-AHADC/CL) so salary offset can be stopped until the inquiries, disputes, or installment agreements are finalized. If agreements regarding disputes of the validity of the debt cannot be resolved between the debtor and BOA, they will be forwarded to the DFAS Debt and Claims Management Directorate (DFAS-PO/DE) and resolved through the hearing process.

Debt hearings are one of the due process rights of the debtor. If the debtor wishes to request a hearing, documents to be submitted will be available by contacting BOA or pulling the required forms from a designated BOA website. Debt hearings when requested by the debtor will be the responsibility of the DFAS Debt and Claims Management Directorate (DFAS-PO/DE). Any debtors requesting a hearing will need to complete the required documents (see attached following the proposed BOA letter) and forward to DFAS-POCC/DE. Upon receipt DFAS-POCC/DE will immediately contact BOA and/or the Salary Offset Project Office (DFAS-AHADC/CL) to suspend the debt until the hearing is completed. To perform the hearing DFAS-POCC/DE will require documentation from the Travel Pay/Liaison office and/or the BOA. This documentation will include due process letters, copies of any member disputes and resolutions, and details of delinquent credit card charges. This documentation will need to be forwarded to DFAS-POCC/DE within 30-days of the request. Final decisions on the hearing will be provided back to the debtor and the BOA/Salary Offset Project Office (DFAS-AHADC/CL) for appropriate action.

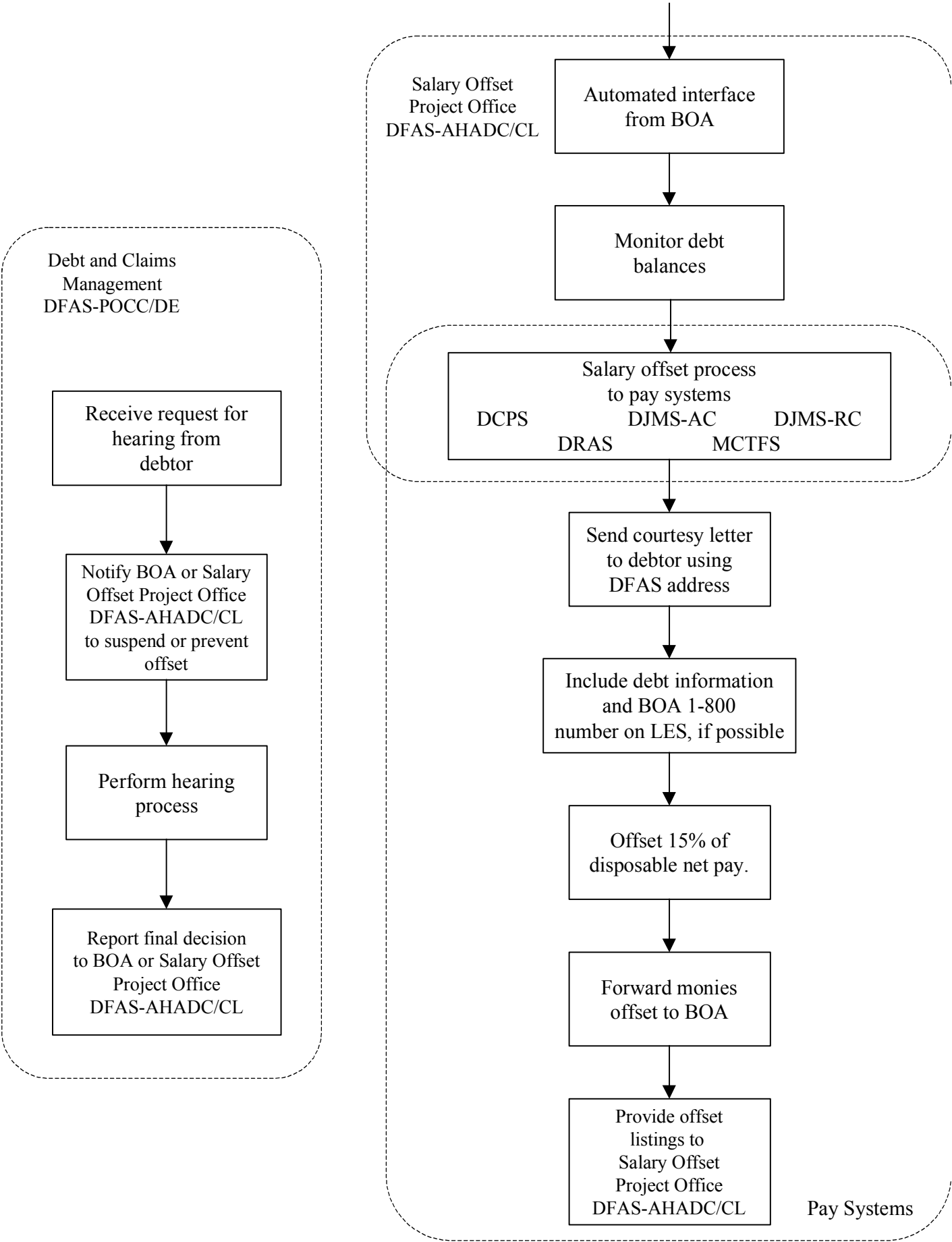
Dependent upon the true volume of the delinquent undisputed debts to be collected and the strategy devised to phase in the collection action, additional manpower may be needed in some areas. If automation of some interfaces defined by the Salary Offset Project Office (DFAS-AHADC/CL) cannot be implemented, additional manpower may be needed to accomplish the tasks for their action. Also, the DFAS Debt and Claims Management Directorate (DFAS-PO/DE) may need a limited number of additional resources if the hearing and dispute volume is extensive. Other additional resources may also be required in other areas once the volume is fully defined.

All DFAS expenses incurred for performing the salary offsets for BOA will be reimbursed by BOA back to DFAS. BOA will pass these expenses on to the debtors by way of a one-time charge to be defined once the costs are known. In addition, BOA will also charge the debtors with additional late fees to recoup some of their costs.

Attachment 1 - Process Flow Chart



Attachment 1 - Process Flow Chart (continued)





Government Card Services
PO Box 53139, Dept. 1921
Phoenix, AZ 85072-3139

December 4, 2000

Acct. 4444333322221111

John Q. Customer
Customer Address
Anytown, USA
31902-1218

Balance	\$1,234.56
Amt. Past Due	\$1,234.56

Dear John

Your Government Travel Charge Card account is over 90 days past due and is scheduled to be cancelled and submitted to the Defense Finance and Accounting Service for involuntary salary offset. You have been identified as receiving pay from a Department of Defense military or civilian department, and your chain of command has been notified of your continuing delinquency.

As a result of the continued delinquency on this account and in coordination with the Department of Defense, this is a one-time demand for voluntary full payment within 30 days of the date of this letter. Send check or money order for the Amount Past Due (as shown above) to the following address: Bank of America, P.O. Box 53139, Phoenix, AZ 85072-3139, or call 1-800-863-5258 for a "check by phone" payment. If you have not received reimbursement from a properly submitted travel voucher, notify your immediate supervisor and contact your travel pay/liaison office (the office you submitted your travel voucher to) immediately.

If you are financially unable to make full payment and wish to enter into a written agreement with Bank of America to make voluntary monthly payments, immediately contact Bank of America at 1-800-863-5258 to arrange a repayment schedule. Should you default on such agreement before your undisputed balance is paid in full, the unpaid balance will be submitted for immediate involuntary offset against your federal salary without any additional due process notification.

If this debt is not paid within 30 days, or if the payment is returned for any reason:

- We will ask your employer to deduct payments from your federal salary to satisfy account balances that are not in dispute.
- In accordance with the GSA SmartPay™ Master Contract, related DoD Task Order, and cardholder Agreement the following fees will be assessed:

- \$TBD administrative fee associated with the costs for administering salary offset, delinquency and collection, and
- 3 additional late fees will also be assessed on your account. After three consecutive payments your account will be aged to a current status (but will not be reinstated) as long as salary offset collection continues uninterrupted.

Collection of the delinquent amounts and assessed administrative fees is being accomplished under the Travel and Transportation Reform Act, Public Law 105-264, October 19, 1998, and 41 C.F.R. Parts 301-54 and 301-76. This letter constitutes the due process notification required by law. Deductions of 15% of your disposable pay will begin in about 45 days unless you pay the balance in full or arrange alternative settlement options with Bank of America within 30 days of the date of this letter. If you have already paid the debt or believe the debt is invalid, contact Bank of America immediately at toll free 1-800-863-5258.

You have the right to:

- Inspect and copy records related to your debt.
- Request, in writing, a hearing concerning the amount and validity of the debt or the amount of involuntary deductions. To request a hearing, complete a petition for hearing (Form available from <http://www.gcsuthd.bankofamerica.com> or by calling 1-800-472-1424) and send appropriate documents and information to: DFAS-POCC/DE, 6760 E. Irvington Place, Denver CO 80279-7100. Debtor hearing responsibilities are contained in the Department of Defense Financial Management Regulation, Volume 5, Chapter 30, section 300408. This reference can be provided by your administrative office or can be viewed on line at <http://www.dtic.mil/comptroller/fmr>.

At Bank of America, it is our goal to provide the highest level of customer service while insuring our customers honor their debts. If you have any questions or if we may be of assistance, call our office at the toll-free number listed above.

Sincerely,

Joe Sender
Bank of America
Government Card Services
Worldwide, Toll-free: 1.800.472.1424
TTY/TDD: 1.800.672.0779

DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
6760 E IRVINGTON PLACE
DENVER CO 80279-7500

INFORMATION CONCERNING PETITION FOR HEARING

Under the Debt Collection Act of 1982, you have the right to request a hearing for the following reasons: to contest (1) the validity of the debt; (2) the amount of the debt; or (3) the amount of our proposed offset schedule. In order to request a hearing, you must complete and submit the enclosed Petition for Hearing with required documents indicated in the petition. The only documents to be considered at a hearing are documents which you submit with your Petition for Hearing and those submitted by the Department of Defense and Bank of America (BOA). Additional documents will be considered only if you demonstrate that they could not have been discovered by due diligence on your part prior to the required submission date. Your timely Petition for Hearing will stay debt collection proceedings including accrual of interest, penalties and administrative charges until the hearing official issues a decision.

If you fail to appear at a scheduled oral hearing, you may further petition the Department of Defense and show good cause for failure to appear. If a hearing official determines that you had good cause for failure to appear, a hearing will be held. Otherwise, you are deemed to have forfeited your right to a hearing.

A hearing may be a paper hearing consisting of the debt documentation submitted by yourself, the Department of Defense, and the BOA. A hearing may also be an oral hearing with a representative of the Department of Defense, yourself, your representative if you elect to have one and witnesses present. The Department of Defense will determine whether your case warrants a paper or oral hearing. Oral hearings are not required and will not be granted unless: (1) a statute authorizes or requires the Department of Defense to consider waiver of indebtedness, you may request waiver of the indebtedness, and the waiver determination depends on an issue of credibility or veracity; or (2) you request reconsideration of the indebtedness and the Department of Defense determines the indebtedness cannot be resolved by review of the documentary evidence. For example, when the validity of the debt depends on an issue of credibility or veracity.

ATTENTION: DFAS-POCC/DE

DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
6760 E IRVINGTON PLACE
DENVER, CO 80279-7100

NAME OF DEBTOR: «MembersName»

SSAN: «AccountNumber»

AMOUNT OF DEBT: \$«PrincipalAmount»

DATE OF NOTICE:

I request a hearing for the following reason(s)
(check as applicable)

- (1)___to protest the validity of the debt
- (2)___to contest the amount of the debt
- (3)___to contest the terms of the deduction schedule
proposed by the Department of Defense

If you are requesting a hearing to contest the validity or
amount of the debt, you must enclose the following with this request:

- (1) A statement of the reason(s) why you believe the
Department of Defense's or Bank of America's determination of
the validity and/or amount of the debt is erroneous including a
complete description of the facts, evidence, and a summary of
testimony of any witnesses which you believe support your
belief.
- (2) Copies of any pertinent records you wish to have
considered at the hearing if they differ from those records
previously provided to you by the Department of Defense or the
Bank of America.

If you are requesting a hearing to contest the terms of the
deduction schedule proposed by the Department of Defense, (3) above,
you must enclose the following with your request:

- (1) Your proposed alternative deduction schedule, i.e. how
much you can repay each month.
- (2) The enclosed Department of Justice Form OBD-500B,
Financial Status.
- (3) Copies of any records you wish to be considered at the
hearing if they differ from the records previously provided by the
Department of Defense or the Bank of America.

Signature of Debtor

Date

Attachment 3

Interface - BOA to Salary Offset Project Office (DFAS-AHADC/CL)

The format for this interface is to be determined. BOA and the Salary Offset Project Office (DFAS-AHADC/CL) will work together to develop the required format to transfer the debts.